

Message Text

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ORIGIN STR-07

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U.S. MISSION

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: CLARIFICATION OF U.S. REQUESTS ON GRAINS

REF: (A) STATE 075534; (B) GENEVA 04785

1. IT WAS OUR INTENTION TO ALLOW WIDE FLEXIBILITY TO EACH
COUNTRY IN SELECTING A METHOD OF ACHIEVING THE OBJECTIVE OF
THE U.S. REQUEST ON GRAINS, WHICH IN ITS SIMPLEST TERMS IS
TO LIMIT THE AMOUNT BY WHICH THE PRICE OF SPECIFIC GRAINS
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TO END-USERS INSIDE THE COUNTRY CAN EXCEED THE PRICE ON THE
WORLD MARKET. WIDE FLEXIBILITY IS ESSENTIAL BECAUSE OF THE
CONSIDERABLE DIFFERENCES IN NATIONAL POLICIES AND BECAUSE
OF THE SENSITIVE NATURE OF NATIONAL POLICIES IN THIS AREA.
IT IS NOT OUR INTENT TO MAKE A DIRECT ATTACK ON BASIC
DOMESTIC SUPPORT POLICIES. WE ASSUME, THEREFORE, THAT THE
FIRST ROUND OF DISCUSSIONS WITH ANY COUNTRY WILL BE EXPLOR-

ATORY IN NATURE IN ORDER TO DETERMINE WHETHER THE COUNTRY IS WILLING TO DEVELOP SOME COMBINATION OF POLICIES THAT WILL ACHIEVE THE U.S. OBJECTIVE.

2. TO AID IN THESE DISCUSSIONS, WE ARE FORWARDING A COLLECTION OF UNCLASSIFIED, DESCRIPTIVE REPORTS BY AGRICULTURAL ATTACHES CONCERNING GRAIN PRODUCTION, TRADE AND

POLICIES AFFECTING GRAINS IN COUNTRIES FOR WHICH WE HAVE RECOMMENDED REQUESTS. YOU MAY ALSO WISH TO REFER TO THE EXTENSIVE DOCUMENTATION PREPARED FOR MTN GROUP 3E.

3. REGARDING THE CONCERNS OF JAPAN, AUSTRIA, NORWAY, SWITZERLAND AND OTHERS THAT THE U.S. REQUEST MIGHT INTERFERE WITH THEIR BASIC GRAIN SUPPORT SYSTEM, IT SHOULD BE POINTED OUT THAT THE SPECIFIC CONCESSIONS CITED IN PARAGRAPH 8 OF STATE 075534 WERE INTENDED TO BE BOTH ILLUSTRATIVE AND NEGOTIABLE. ALTERNATIVE METHODS OF ACHIEVING THE OBJECTIVE MAY BE CONSIDERED. THE INTENT IS TO FIND A MARGIN OF DIFFERENCE BETWEEN INTERNAL AND EXTERNAL PRICES, WHICH, WITH NECESSARY ADJUSTMENTS, WILL ALLOW THE INTERNAL SUPPORT PROGRAM TO FUNCTION BUT WILL ALSO CONTRIBUTE TO GREATER STABILITY AND EXPANSION OF TRADE. WE NOTE, FOR EXAMPLE, THAT SWISS FARM ORGANIZATIONS EARLIER THIS YEAR, WERE GATHERING SIGNATURES TO PETITION LIMITED OFFICIAL USE

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THE SWISS FEDERAL COUNCIL TO AMEND THE SWISS CONSTITUTION IN ORDER TO REQUIRE A GREATER PRICE DIFFERENTIAL BETWEEN IMPORTED AND DOMESTIC FEEDSTUFFS. SUCH AN ACTION WOULD RUN DIRECTLY COUNTER TO THE U.S. OBJECTIVE AND ONCE IMBEDDED IN THE SWISS CONSTITUTION WOULD BE VERY DIFFICULT TO CHANGE.

4. U.S. REQUESTS MAY BE MET BY A BINDING OF IMPORT DUTIES IF DUTIES ARE THE PRINCIPLE MEANS OF REGULATING TRADE. IN JAPAN THIS IS CLEARLY NOT THE CASE. THAT IS WHY THE U.S. REQUEST FOCUSES NOT ON IMPORT CHARGES, PER SE, BUT ON THE DIFFERENCE BETWEEN THE PRICE TO THE END-USER INSIDE THE COUNTRY AND THE PRICE ON THE WORLD MARKET.

5. REGARDING DEVELOPING COUNTRIES, WHICH USUALLY HAVE A RATHER RIGOROUS GOVERNMENT CONTROL OVER IMPORTS, THE U.S. REQUEST AIMS AT FREEING FROM THIS CONTROL CORN, OR CORN AND SORGHUM, FOR FEED USE. WE BELIEVE THIS IS A REASONABLE REQUEST INASMUCH AS THE CONTROLS OVER TRADE ARE AIMED PRIMARILY AT SUPPORTING DOMESTIC PRODUCTION FOR HUMAN FOOD. IT SHOULD BE POSSIBLE, THEREFORE TO HOLD DISCUSSIONS WITH DEVELOPING COUNTRIES ON SEPARATE

COMMITMENTS FOR GRAINS FOR FEED WITHOUT AN ELABORATE
EXPLANATION OF THE SYSTEM AS IT APPLIES TO GRAIN FOR
FOOD.

6. WE HAVE TRIED TO AVOID COUCHING U.S. GRAIN REQUESTS
IN VERY SPECIFIC TERMS, IN ORDER TO ALLOW OTHER
COUNTRIES MAXIMUM FLEXIBILITY IN DECIDING HOW THEY MIGHT
APPLY SUCH A REQUEST TO THEIR OWN SYSTEM. PLEASE EXAMINE
WITH EACH OF THE COUNTRIES LISTED IN REF A THE POSSIBILITY
OF ACHIEVING THE U.S. OBJECTIVE AND REPORT THEIR ACTIONS
ASAP. VANCE

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